

NEW APPLICATION
ORIGINAL



0000098281

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

COMMISSIONERS

KRISTEN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

MAY 14 2009

DOCKETED BY

nr

G-02528A-09-0237

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-02528A-09-____
DUNCAN VALLEY ELECTRIC COOPERATIVE)
INC. FOR APPROVAL OF PURCHASED GAS) APPLICATION FOR PGA
ADJUSTOR SURCHARGE AND) SURCHARGE & CALCULATION
CALCULATION)

Duncan Valley Electric Cooperative Inc. ("DVEC") hereby respectfully requests the Arizona Corporation Commission (the "Commission") to approve a new Purchase Gas Adjustor ("PGA") surcharge of a negative \$0.10 per therm and a calculation based on a six-month rolling average that would allow DVEC to refund and recover purchased gas costs in a more timely manner. The new PGA surcharge and calculation is necessary in order to refund the over-collected PGA bank balance that exists and continues to grow. In support hereof, DVEC states as follows.

DVEC is a non-profit cooperative that is owned and controlled by its member/customers through an elected board of directors.

DVEC's Gas Division was formerly known as Duncan Rural Services Corporation ("DRSC"). Duncan Rural Services Corporation was dissolved in accordance with Decision No. 69679, dated June 28, 2007. This Decision approved the dissolution of DRSC and the transfer DRSC's assets, certain liabilities and Certificate of Convenience and Necessity to a Gas Division

1 of DVEC. This transfer and dissolution was completed on January 1, 2008.

2
3 **I. THE DVEC GAS PGA.**

4 The DVEC PGA was authorized by the Commission to ameliorate the impact of volatile
5 natural gas prices on both the customer and the utility. The DVEC PGA was most recently
6 reviewed and a surcharge approved in Decision No. 68953 (September 21, 2006). DVEC is
7 currently required by Decision No. 61225 (October 30, 1998), to file for a surcharge when its
8 bank balance exceeds a positive or negative \$35,000.

9
10 DVEC's over-collected purchased gas bank balance has grown from approximately
11 \$10,374 at the end of December 2008 to approximately \$60,000 by March 31, 2009. DVEC's
12 Monthly Gas Cost Rate ("MGCR") as of February 2009 is \$0.60420 per therm while its average
13 purchased gas cost is \$0.3443 per therm.

14
15 DVEC submits that, given the current over-collected PGA bank balance and lower gas
16 prices, the proposed new PGA surcharge of a negative \$0.10 per therm and a new calculation is
17 necessary and should be approved now.

18 DVEC further states that its current MGCR calculation using a 12 month rolling average
19 has resulted in larger over-collection than would have been necessary if DVEC had the authority
20 to use a six-month rolling average. Using a six-month rolling average will better track changes
21 in purchased gas costs while still having the Commission desired effect of smoothing those
22 changes for DVEC's customers.

23
24 DVEC is also currently subject to the MGCR limitations of no more than a plus or minus
25 \$0.10 change per month. As a result, DVEC must incur the time and expense of a PGA
26

1 Surcharge filing to make a change greater than that described above to refund this over-collected
2 bank balance. DVEC believes it is the best interest of its members to not have to incur the time or
3 expense of making this filing in the future and would ask that the ACC authorize it use a six-
4 month rolling average calculation and remove the \$0.10 limit.

5 Beginning on January 1, 2008, strictly using a six-month rolling average without a \$0.10
6 limit, the largest change from one month to the next month in DVEC's MGCR rate would have
7 only been approximately \$0.13 per therm. DVEC is required to file a monthly MGCR report with
8 ACC Staff that will keep the Commission apprised of any changes in its MGCR.

10 **II. THE NEW MGCR CALCULATION**

11 **A. Current MGCR and Purchased Gas Costs.**

12 The ongoing lower cost of natural gas has resulted in an over-collected PGA bank
13 balance for DVEC. As of April 2009, DVEC's gas cost in May will be approximately \$0.285 per
14 therm. DVEC is currently collecting \$0.60420 per therm and has received a gas price quote from
15 its supplier of approximately \$0.40 per therm for June through December. Consequently DVEC
16 is facing a considerable surplus in its recovery of the expected average cost of gas purchased
17 during the spring and perhaps summer period because the 12 month rolling average is slow to
18 react to changes in purchased gas cost.

20 **B. Impact of Six-month Average and PGA Surcharge on PGA Bank Balance**

21 DVEC has prepared an analysis using a six-month rolling average calculation beginning
22 January 1, 2008. As illustrated by the attached Exhibit entitled "Six-month Rolling Average
23 Bank Balance Calculation", the PGA bank balance remains closer to zero during each month of
24 2008 when compared with the Exhibit entitled "Twelve-month Rolling Average Bank Balance
25
26

1 Calculation". This means the PGA rate remains closer to the purchased gas costs that DVEC is
2 actually incurring under a six-month rolling average calculation. Also, using a six-month rolling
3 average, the over-collected bank balance as of March 31, 2009 would only be approximately
4 \$33,000 (Exhibit B) rather than the current over-collected bank balance of approximately \$60,000
5 (Exhibit A) that has resulted from using the approved twelve month rolling average calculation.
6 A negative PGA surcharge of \$0.10 will be necessary in addition to the six-month rolling average
7 calculation because of forecasted lower gas prices, the amount of the over-collected bank
8 balance and because the requested six-month calculation will only refund approximately \$7,000.
9 By implementing a negative surcharge of \$0.10, DVEC estimates that it will refund an additional
10 \$17,600 of the over-collected PGA bank balance through December 31, 2009.
11

12 **C. Impact of Surcharge on Residential Bills.**

13 Residential customers of DVEC typically use an average 75 therms per month during the
14 winter months (November through March) and 20 therms per month during summer months
15 (April through October). Under the proposed negative PGA surcharge of \$0.10, a monthly
16 residential bill will decrease by \$2.00 in the summer and \$7.50 in the winter.
17
18

19 **III. CONCLUSION**

20 DVEC believes that a negative PGA surcharge of \$0.10 and a six-month rolling average
21 calculation and removal of the \$0.10 limit as requested herein is necessary to refund the over-
22 collection of gas costs in a timely and reasonable manner, before any additional accumulation of
23 an over-collected PGA bank balance will require an even greater negative surcharge and is in the
24 public interest. DVEC further states that a six-month rolling average will result in a more timely
25
26

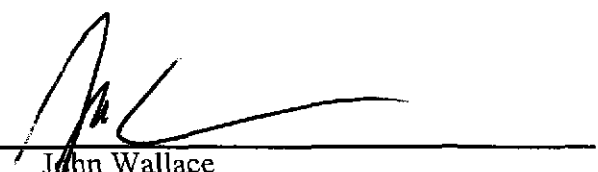
1 refund and recovery of purchased gas costs and is in the public interest for the reasons stated
2 herein.

3 To the extent it is necessary to extend any time limitations to allow this matter to be
4 decided as soon as possible, DVEC stipulates through the filing that those time limitations may be
5 extended.
6

7 Wherefore, for all the foregoing reasons, DVEC requests authorization for a negative
8 PGA surcharge of \$0.10 until the PGA Bank Balance goes below a negative \$35,000 and for a
9 new six-month rolling average calculation and for the removal of the \$0.10 limit effective August
10 1, 2009 to allow for the refund of lower gas prices and the resulting over-collected PGA bank
11 balance.
12

13
14 RESPECTFULLY SUBMITTED this 15th day of May, 2009.

15
16
17 By


John Wallace
Grand Canyon State Electric Cooperative Association
120 North 44th Street, Suite 100
Phoenix, AZ 85034

18
19
20
21
22 Original and thirteen (13) copies of
23 Duncan Valley Electric Cooperative's Application
filed this 15th day of May, 2009 with:

24 DOCKET CONTROL
25 Arizona Corporation Commission
1200 West Washington Street
26 Phoenix, Arizona 85007

Duncan Valley Electric Cooperative, Inc.

Gas Division

Current Monthly Gas Cost Rate Calculation for 2008

EXHIBIT A
Page 1 of 2

Date 2008	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
1. Beginning Bank Balance	(\$37,611.52)	(\$20,363.11)	(\$11,737.64)	(\$1,146.82)	\$1,260.54	\$7,596.83	\$16,278.39	\$17,188.37	\$12,846.35	\$6,637.86	\$297.86	(\$10,373.93)
2. Cost of Purchased Gas	\$61,396.63	\$42,493.03	\$39,966.64	\$18,855.39	\$24,075.70	\$26,478.40	\$16,526.89	\$6,657.56	\$2,855.32	\$4,011.90	\$8,325.87	\$26,986.06
3. Transportation Cost	\$3,930.19	\$2,759.71	\$2,336.65	\$1,077.16	\$1,202.56	\$1,272.49	\$665.71	\$191.87	\$209.85	\$442.56	\$1,368.69	\$2,747.91
4. Total Cost to be Recovered	\$27,715.30	\$24,889.63	\$30,565.65	\$18,785.73	\$26,538.80	\$35,347.72	\$33,470.99	\$24,037.80	\$15,911.52	\$11,092.32	\$9,992.42	\$19,360.04
5. Sales in Therms	85,388	61,338	48,853	25,898	27,576	27,096	22,519	15,177	12,488	14,509	27,272	57,209
6. 12 Months Rolling Average per Therm	\$0.6117	\$0.6463	\$0.6486	\$0.6766	\$0.6870	\$0.7044	\$0.7247	\$0.7400	\$0.7451	\$0.7452	\$0.7468	\$0.7273
7. Amount Recovered by 12 Months Rolling Ave	\$52,231.84	\$39,642.75	\$31,686.06	\$17,522.59	\$18,944.71	\$19,086.42	\$16,319.52	\$11,230.98	\$9,304.81	\$10,812.11	\$20,366.73	\$41,608.11
9. PGA per Therm	(\$0.05000)	(\$0.05000)	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000
10. Amount Recovered by PGA	(\$4,269.40)	(\$3,066.90)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11. Total Amount Recovered by MGCR	\$47,962.44	\$36,575.85	\$31,686.06	\$17,522.59	\$18,944.71	\$19,086.42	\$16,319.52	\$11,230.98	\$9,304.81	\$10,812.11	\$20,366.73	\$41,608.11
12. Adjustments												
13. Monthly Subtotal	(\$20,247.14)	(\$11,686.22)	(\$1,120.41)	\$1,263.14	\$7,594.09	\$16,261.30	\$17,151.47	\$12,806.82	\$6,606.71	\$280.21	(\$10,374.31)	(\$22,248.07)
Monthly Interest Rate	3.70%	3.03%	2.70%	2.72%	2.61%	2.70%	2.72%	2.76%	2.91%	3.19%	1.54%	1.09%
14. Monthly Interest	(\$115.97)	(\$51.42)	(\$26.41)	(\$2.60)	\$2.74	\$17.09	\$36.90	\$39.53	\$31.15	\$17.65	\$0.38	(\$9.42)
15. End of Month Bank Balance	(\$20,363.11)	(\$11,737.64)	(\$1,146.82)	\$1,260.54	\$7,596.83	\$16,278.39	\$17,188.37	\$12,846.35	\$6,637.86	\$297.86	(\$10,373.93)	(\$22,257.49)

Duncan Valley Electric Cooperative, Inc.
Gas Division
Monthly Gas Cost Rate Calculation with Six-Month Average & No \$0.10 Limit for 2008

Date 2008x	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
1. Beginning Bank Balance	(\$37,611.52)	(\$20,363.11)	(\$11,590.43)	(\$2,870.35)	(\$2,000.06)	\$2,277.48	\$8,757.71	\$7,567.63	\$1,790.51	(\$5,554.97)	(\$12,233.53)	(\$21,915.06)
2. Cost of Purchased Gas	\$61,396.63	\$42,493.03	\$39,966.64	\$18,855.39	\$24,075.70	\$26,478.40	\$16,526.89	\$6,657.56	\$2,855.32	\$4,011.90	\$8,325.87	\$26,986.06
3. Transportation Cost	\$3,930.19	\$2,759.71	\$2,336.65	\$1,077.16	\$1,202.56	\$1,272.49	\$665.71	\$191.87	\$209.85	\$442.56	\$1,368.69	\$2,747.91
4. Total Cost to be Recovered	\$27,715.30	\$24,889.63	\$30,712.86	\$17,062.20	\$23,278.20	\$30,028.37	\$25,950.31	\$14,417.06	\$4,855.68	(\$1,100.51)	(\$2,538.97)	\$7,818.91
5. Sales in Therms	85,388	61,338	48,853	25,898	27,576	27,086	22,519	15,177	12,488	14,509	27,272	57,209
6. 12 Months Rolling Average per Therm	\$0.6117	\$0.6439	\$0.6869	\$0.7358	\$0.7614	\$0.7852	\$0.8172	\$0.8331	\$0.8340	\$0.7663	\$0.7099	\$0.5808
7. Amount Recovered by 12 Months Rolling Ave	\$52,231.84	\$39,495.54	\$33,557.13	\$19,055.75	\$20,996.37	\$21,275.78	\$18,402.53	\$12,643.96	\$10,414.99	\$11,118.25	\$19,360.39	\$33,226.99
9. PGA per Therm	(\$0.05000)	(\$0.05000)	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000
10. Amount Recovered by PGA	(\$4,269.40)	(\$3,066.90)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11. Total Amount Recovered by MGCR	\$47,962.44	\$36,428.64	\$33,557.13	\$19,055.75	\$20,996.37	\$21,275.78	\$18,402.53	\$12,643.96	\$10,414.99	\$11,118.25	\$19,360.39	\$33,226.99
12. Adjustments												
13. Monthly Subtotal	(\$20,247.14)	(\$11,539.01)	(\$2,844.27)	(\$1,963.55)	\$2,281.83	\$8,752.59	\$7,547.78	\$1,773.10	(\$5,559.31)	(\$12,218.76)	(\$21,899.36)	(\$25,408.08)
Monthly Interest Rate	3.70%	3.03%	2.70%	2.72%	2.61%	2.70%	2.72%	2.76%	2.91%	3.19%	1.54%	1.09%
14. Monthly Interest	(\$115.97)	(\$51.42)	(\$26.08)	(\$6.51)	(\$4.35)	\$5.12	\$19.85	\$17.41	\$4.34	(\$14.77)	(\$15.70)	(\$19.91)
15. End of Month Bank Balance	(\$20,363.11)	(\$11,590.43)	(\$2,870.35)	(\$2,000.06)	\$2,277.48	\$8,757.71	\$7,567.63	\$1,790.51	(\$5,554.97)	(\$12,233.53)	(\$21,915.06)	(\$25,427.99)

Duncan Valley Electric Cooperative, Inc.

EXHIBIT C
Page 1 of 1

Gas Division

Projected Monthly Gas Cost Rate Calculation with Six-Month Average & No \$0.10 Limit for 2009

Date 2009.6p	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
1. Beginning Bank Balance	(\$22,257.49)	(\$33,251.01)	(\$49,127.54)	(\$59,766.12)	(\$66,558.79)	(\$72,340.73)	(\$72,741.42)	(\$71,883.52)	(\$71,039.11)	(\$70,428.35)	(\$69,072.91)	(\$64,922.40)
2. Cost of Purchased Gas	\$31,935.06	\$15,216.44	\$7,934.24	\$6,180.00	\$7,054.00	\$10,428.00	\$5,644.00	\$3,376.00	\$1,720.00	\$3,628.00	\$11,284.00	\$22,528.00
3. Transportation Cost	\$3,121.50	\$2,298.92	\$1,247.96	\$1,077.00	\$1,203.00	\$1,273.00	\$666.00	\$192.00	\$210.00	\$443.00	\$1,369.00	\$2,748.00
4. Total Cost to be Recovered	\$12,799.07	(\$15,735.65)	(\$39,945.34)	(\$52,509.12)	(\$58,301.79)	(\$60,639.73)	(\$66,431.42)	(\$68,315.52)	(\$69,109.11)	(\$66,357.35)	(\$56,419.91)	(\$39,646.40)
5. Sales in Therms	65,964	50,812	32,763	25,898	27,576	26,070	14,110	8,440	4,300	9,070	28,210	56,320
6. 12 Months Rolling Average per Therm	\$0.6978	\$0.6568	\$0.6042	\$0.5425	\$0.5091	\$0.4642	\$0.3864	\$0.3227	\$0.3068	\$0.2994	\$0.3014	\$0.3391
7. Amount Recovered by 12 Months Rolling Ave	\$46,029.68	\$33,373.32	\$19,795.40	\$14,049.67	\$14,038.94	\$12,101.69	\$5,452.10	\$2,723.59	\$1,319.24	\$2,715.56	\$8,502.49	\$19,098.11
9. PGA per Therm	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000
10. Amount Recovered by PGA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11. Total Amount Recovered by MGCR	\$46,029.68	\$33,373.32	\$19,795.40	\$14,049.67	\$14,038.94	\$12,101.69	\$5,452.10	\$2,723.59	\$1,319.24	\$2,715.56	\$8,502.49	\$19,098.11
12. Adjustments												
13. Monthly Subtotal	(\$33,230.61)	(\$49,108.97)	(\$59,740.74)	(\$66,558.79)	(\$72,340.73)	(\$72,741.42)	(\$71,883.52)	(\$71,039.11)	(\$70,428.35)	(\$69,072.91)	(\$64,922.40)	(\$58,744.51)
Monthly Interest Rate	1.10%	0.67%	0.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14. Monthly Interest	(\$20.40)	(\$18.57)	(\$25.38)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
15. End of Month Bank Balance	(\$33,251.01)	(\$49,127.54)	(\$59,766.12)	(\$66,558.79)	(\$72,340.73)	(\$72,741.42)	(\$71,883.52)	(\$71,039.11)	(\$70,428.35)	(\$69,072.91)	(\$64,922.40)	(\$58,744.51)

Duncan Valley Electric Cooperative, Inc.

Gas Division

EXHIBIT D
Page 1 of 1

Projected Monthly Gas Cost Rate Calculation with Current Twelve-Month Average & \$0.10 Limit for 2009

Date 2009.12p	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
1. Beginning Bank Balance	(\$22,257.49)	(\$33,251.01)	(\$49,127.54)	(\$59,766.12)	(\$66,558.79)	(\$72,340.73)	(\$72,741.42)	(\$72,384.43)	(\$72,135.04)	(\$71,858.82)	(\$71,248.93)	(\$68,332.66)
2. Cost of Purchased Gas	\$31,935.06	\$15,216.44	\$7,934.24	\$6,180.00	\$7,054.00	\$10,428.00	\$5,644.00	\$3,376.00	\$1,720.00	\$3,628.00	\$11,284.00	\$22,528.00
3. Transportation Cost	\$3,121.50	\$2,298.92	\$1,247.96	\$1,077.00	\$1,203.00	\$1,273.00	\$666.00	\$192.00	\$210.00	\$443.00	\$1,369.00	\$2,748.00
4. Total Cost to be Recovered	\$12,799.07	(\$15,735.65)	(\$39,945.34)	(\$52,509.12)	(\$58,301.79)	(\$60,639.73)	(\$66,431.42)	(\$68,816.43)	(\$70,205.04)	(\$67,787.82)	(\$58,595.93)	(\$44,056.66)
5. Sales in Therms	65,964	50,812	32,763	25,898	27,576	26,070	14,110	8,440	4,300	9,070	28,210	56,320
6. 12 Months Rolling Average per Therm	\$0.6978	\$0.6568	\$0.6042	\$0.5425	\$0.5091	\$0.4642	\$0.4219	\$0.3932	\$0.3846	\$0.3816	\$0.3806	\$0.3884
7. Amount Recovered by 12 Months Rolling Ave	\$46,029.68	\$33,373.32	\$19,795.40	\$14,049.67	\$14,038.94	\$12,101.69	\$5,953.01	\$3,318.61	\$1,653.78	\$3,461.11	\$10,736.73	\$21,874.69
9. PGA per Therm	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000
10. Amount Recovered by PGA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11. Total Amount Recovered by MGCR	\$46,029.68	\$33,373.32	\$19,795.40	\$14,049.67	\$14,038.94	\$12,101.69	\$5,953.01	\$3,318.61	\$1,653.78	\$3,461.11	\$10,736.73	\$21,874.69
12. Adjustments												
13. Monthly Subtotal	(\$33,230.61)	(\$49,108.97)	(\$59,740.74)	(\$66,558.79)	(\$72,340.73)	(\$72,741.42)	(\$72,384.43)	(\$72,135.04)	(\$71,858.82)	(\$71,248.93)	(\$69,332.66)	(\$65,931.35)
Monthly Interest Rate	1.10%	0.67%	0.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14. Monthly Interest	(\$20.40)	(\$18.57)	(\$25.38)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
15. End of Month Bank Balance	(\$33,251.01)	(\$49,127.54)	(\$59,766.12)	(\$66,558.79)	(\$72,340.73)	(\$72,741.42)	(\$72,384.43)	(\$72,135.04)	(\$71,858.82)	(\$71,248.93)	(\$69,332.66)	(\$65,931.35)